

KNOWLES, VERNON.

Rutherford

The facts about Canada's banks.
The first series of radio addresses by
Vernon Knowles, delivered over a net-
work of Alberta stations, Tues.,
Sept. 7, 1937.

The Facts About Canada's Banks



**The First of a Series of
Radio Addresses**

by

VERNON KNOWLES

Public Relations Advisor of Canadian
Chartered Banks.

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Delivered over a Network of Alberta Stations
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The Facts About Banking in Canada

CANADA'S CHARTERED BANKS, through me, will tell you the facts about Canadian Banks and the banking system in a series of non-political, non-controversial broadcasts of which this is the first. There are many misconceptions and misapprehensions abroad regarding banks and banking. We believe that those who criticize the banks are thoroughly sincere and it is our hope that, as we proceed to present the true story of Canadian banking, we also shall be given credit for complete sincerity.

Certainly there is a wideawake intelligence and an inquiring spirit alive in Alberta and a genuine desire on the part of the people at large to obtain the facts. Many important questions have been raised and we intend to supply answers which are truthful and accurate. Intelligent people prefer to have *all* the facts and then to form their own judgments, so we have good reason for the belief that we shall have lots of listeners.

The explanations that we intend to give in regard to Canadian banking are offered in response to a very evident and definite public demand and I must repeat that we are not fighting, nor resisting, nor affiliating with any political party. Canada's Chartered Banks do not aim at controversy and will present their story without heat or recrimination, for any case that needs abuse of others to support it must be a weak case indeed.

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One of the leading questions in regard to banking is, of course, the question of credit. Let us illustrate credit to you briefly, for it is wrongly claimed that we enjoy a monopoly of the right to extend credit. Of course, we do not. We do not have a monopoly, even of banking. Any group of responsible people, in West or East, can start a bank. We shall tell you about that in detail, in a later broadcast. Manufacturers extend credit to wholesalers. Wholesalers extend credit to retail dealers. Merchants and retailers extend credit to customers, Canada's Chartered Banks furnish short-term credit to facilitate production, to move and market that production and to transfer goods and services.

Soon the Alberta farmers will be hauling wheat to the elevators. If they had to wait until the grain reached Liverpool, and the money to come back before they got their cash, it would be a long wait—but bank credit is what enables them to get their cash at the line elevators right away. Individuals lend money to each other—the successful farmer lends money to his neighbour.

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Let us take the case of two neighbouring farmers. Harry Brown, we shall say, has \$500 in a Savings Account in his nearest branch of a Chartered Bank. His neighbour, William Jones, is a good farmer without ready money, who feels that if he had \$250 he could buy hogs, feed them up, sell them and make a little profit; so he goes to Harry Brown and asks if his neighbour will trust him with a loan of \$250.

Mr. Brown, knowing that Mr. Jones is a decent chap, and trustworthy, and that he will get his money back with a little “rent” on it, goes to the bank, draws \$250 of his \$500 and hands it to his neighbour. Mr. Jones buys the hogs, feeds them up, sells them, makes his profit and pays Harry Brown back his \$250 with the agreed rent to boot.

If Mr. Jones had not known a neighbour both able and willing to help him, the Manager of his nearest bank would have been found, in the same circumstances, a neighbour on whom Mr. Jones could call with confidence—in other words, he could have got his loan of \$250 from the Bank.

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It is the deposits such as Harry Brown's \$500 that furnish the major basis of Canadian bank credit. Harry Brown is only one of over three million nine hundred thousand savings bank depositors in Canada, who have on deposit in the Chartered Banks the striking total of more than One Billion Five Hundred and Seventy Millions of Dollars. The fact is that the vast sums which are employed in building up this country have their main source in the collective savings of thousands of people in all walks of life, who, through their work and thrift, have been able to build up small deposits.

The average savings deposit in the Canadian Chartered Banks is around \$380. At least it was \$380 on October 31st, 1936, as shown in an official return to Parliament. These returns are made

periodically to the Government and to the Bank of Canada. They are sworn statements by the banker and are made public to Parliament *and in* the newspapers. If a bank Manager should make a false return, he can be sent to jail. Such penalties are provided in the Bank Act.

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How did Harry Brown get the \$500 which he has on deposit in the Bank? Let us say he got it by raising wheat. He probably started as a homesteader, wagering his \$10 that he could make a success of it and, after three years of hard work, get his patent. This he did; and he earned his \$500 by the sweat of his brow, having overcome the early hardships of homesteading.

That \$500 was *one* deposit that did not come from a loan.

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When I speak of the hardships of homesteading in this wonderful western land I speak with feeling, sympathy and understanding for I myself, in 1909, took up a homestead some seventy miles north from Bassano and had to make my way to that homestead, not very far from the Hand Hills District by ox team. That was before the Goose Lake Line of the Canadian Northern, now the Canadian National, was built through from Saskatoon.

I know what drought is, for that year we had no rain and no crop in a considerable area between the Bull Pound and the Berry Creeks. I used to stand on some high land on my place and watch the little rain storms travelling down the Creeks on either side of me, seven or eight miles away, without a drop falling upon the parched piece of ground that I was trying to farm. Typhoid fever, alone on the prairie, with my nearest neighbour *miles* away, made it physically impossible for me to continue homesteading.

In the West, I feel that I am talking to folks I know. From the homestead I went into western newspaper work, serving as a reporter in Prince Albert, Saskatoon, Regina and Winnipeg; and also as an Editor in Winnipeg; so you see it was on these Western Plains that my career had its beginning and so it is that I speak to you not only as a bank official to-night. I speak to you too as one who knows your hardships from the experience of a settler, one who has a real, abiding, sympathetic understanding of the people and problems of this Province.

I do not mention these things by way of boasting. It is my hope that I shall be looked upon largely as one of you. I have found that financiers do not fear the open spaces. Proper, orderly, safe banking, essential to safe-guarding the depositors' funds, is a full-time job; no Bank Manager, or bank executive, can do full justice to his work and find time to stump the country with a view to informing the public. So the presenting of our facts simply, freely, plainly and accurately has become my work. It is wrong to say that banks care nothing about the public's goodwill. It is because they *do* care that I am here—as an official representing Canada's Chartered Banks.

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I have spoken to you about Harry Brown and William Jones, the two neighbouring farmers, and I have told you how credit operated between them. Let me turn to another illustration of Bank credit. I want to tell you a true story which arose in an Alberta town only a few months ago which goes to show how bank credit extended to a merchant benefits the consumer.

I was talking to the Bank Manager in whose branch this circumstance arose and he said to me: "Bank credit helps everybody in this country." Without mentioning any names he told me of a credit of \$3,000 extended to a merchant the day before. The banker said to me: "This man wanted \$3,000 to meet a number of bills on each of which he would be allowed, by his wholesalers, 5% discount (a saving of \$150) if paid before the tenth of the month. I asked him," said the banker, "How long he wanted the money for, and the merchant said, 'Thirty days.' I asked him how he expected to be able to pay it back in the thirty days and the merchant replied, 'Because of this discount and my normal profit I can put on a sale, reduce my prices to the public, attract new customers, create goodwill, get my money out and repay the Bank.'"

Continuing, this Bank Manager asked me—"What is the matter with bank credit there? For a matter of \$15.00 paid to the bank as "rent" on the money the merchant saves \$150 on his bills and passes part of the saving on to the public."

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I think everybody really knows at heart and will readily admit, that the man, woman or child who has a savings deposit in a bank

must, at any time, be able to go to the bank in full confidence that he or she can draw out that deposit in full and with interest. No bank can say to a depositor who wants his money in a hurry: "Oh, Mr. Jones, you cannot have that money for we lent the credit based upon it to others without security and we cannot get it back." If *you* are a depositor you know just how *you* would feel in a case like that.

What is a Bank? Above all things a Bank is a place where you or your children can go and deposit your money with absolute assurance that any time you demand it you can get it back in full, intact and with interest.

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I want to give you the words of the late Lord Snowden, formerly Phillip Snowden, the great Socialist Chancellor of the Exchequer in Britain's Labour Government which was headed by Ramsey McDonald. Lord Snowden, in 1935, said: "If the Banks were nationalized they would have to be managed as they are now if their solvency was to be maintained."

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In later broadcasts of this series, you may hear from some Alberta Branch Bank Managers who have been your co-workers, neighbours, fellow-citizens and friends for ten, fifteen, twenty or thirty years, perhaps even longer. We shall show you how banks are formed, who owns them, what they do, what they can do, as well as what they cannot do, and why. We shall explain their responsibilities. We intend to discuss their part in the community. The "thin air" or "fountain pen" theory of money will be one of our subjects. We shall discuss "credit" at greater length. We will tell you about the earnings of banks. And we shall deal in greater detail with that cry of "monopoly." We shall discuss the story that we are part of "An International Ring."

No business in all Canada operates under such strict rules, such continuous governmental supervision and such close parliamentary scrutiny as do Canada's Chartered Banks. These are some of the things that we shall touch upon further as we proceed. I trust indeed that you will continue to lend us a listening ear, for Canada's Chartered Banks have confidence in the fairness of people who seek the facts and think for themselves.

